

400. SCHEDULE OF IMPLEMENTATION

The reimbursement system outlined in this part of the Nursing Facility Reimbursement Manual shall not take effect until the July 1, 1991 rate setting. The reimbursement system in effect as of July 1, 1990 shall remain in effect for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) through June 30, 1991 with the following exceptions:

- A. Effective October 1, 1990, drugs shall no longer be treated as an ancillary for ICF/MR facilities.
- B. Drugs shall be billed through the Pharmacy Program. The pharmacist shall bill Medicaid directly and the facility shall no longer act as a conduit for drug billings.
- C. Those medical supplies previously billed as drugs which cannot be billed through the Pharmacy Program shall be treated as routine cost for services provided on or after October 1, 1990. Therefore the Program shall calculate an add-on Per Diem to each ICF/MR facility's existing Per Diem to allow for proper reimbursement of these medical supplies. In order to compute this add-on, each facility shall determine the cost of those medical supplies which were included in drug cost on the

Page 400.01

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Cost Report used to set the July 1, 1990 rate. These costs shall be submitted on a detailed schedule which indicates the amount of these costs by General Ledger account and the type of medical supply cost, previously considered to be ancillary that is included in each account. After these costs have been trended and indexed for inflation, a per diem rate shall be calculated and paid retroactively to October 1, 1990. This submission shall be subject to revision resulting from desk review and by field audits. This add-on shall have no effect on the normal rate computation or the CIIF factor.

401. INTRODUCTION TO THE NEW PAYMENT SYSTEM

This payment system is designed for ICF/MR facilities which are providing services to Title XIX (Medicaid) recipients and are to be reimbursed under the Kentucky Medical Assistance Program (Program) of the Department for Medicaid Services (Department). Effective for costs used in rate setting as of July 1, 1991, except as specified in this manual supplement, policies and procedures as stated in the Kentucky Medical Assistance Program Nursing Facilities Reimbursement Manual Parts I and III are applicable to ICF/MR facilities.

The intent of this reimbursement system is to recognize the reasonable costs associated with the services and level of care provided by ICF/MR facilities.

402. IMPLEMENTATION REQUIREMENTS

Prior to May 15, 1991 all ICF/MR Facilities shall submit a cost report utilizing the current Nursing Facility Cost Reporting format. If the facility would not normally be required to submit a cost report prior to May 15, 1990 the latest available facility cost report shall be resubmitted utilizing the Nursing Facility Cost Report forms.

403. RATE COMPUTATIONS

The rates for ICF/MR facilities are computed in a manner similar to those for Nursing Facilities, with the following exceptions:

- A. Case Mix Assessments are not part of the ICF/MR reimbursement system.
- B. There are no quarterly adjustments to the Nursing component.
- C. Trended and indexed per diems for the Nursing Services and All Other Cost components are not subject to an upper limit.
- D. The Cost Savings Incentives for Nursing Services and All Other Cost are not available to ICF/MR facilities. ICF/MR facilities, if eligible, shall receive a Cost Incentive Investment Factor based on the following table.

INTERMEDIATE CARE FACILITY/MENTALLY RETARDED
COST INCENTIVE AND INVESTMENT FACTOR SCHEDULE

<u>Basic Per Diem Cost</u>	<u>Investment Factor* Per Diem Amount</u>	<u>Incentive Factor Per Diem Amount</u>
\$96.99 and Below	\$1.38	\$.87
\$97.00 - \$102.99	\$1.29	\$.75
\$103.00 - \$108.99	\$1.18	\$.62
\$109.00 - \$114.99	\$1.06	\$.47
\$115.00 - \$120.99	\$.92	\$.31
\$121.00 - \$126.99	\$.76	\$.13
\$127.00 - \$133.49	\$.53	-

*Available Only to For Profit Facilities

Facilities owned by the state or local governments are
not eligible for the Cost Incentive Investment Factor.

E. There is no Hold Harmless provision for ICF/MR
facilities.

404. ADJUSTMENT TO PROSPECTIVE RATE

Upon request by a participating facility, an increase in the prospective rate shall be considered if the cost increase is attributable to one of the reasons listed in Sections 110 or 111 of the Nursing Facility Reimbursement Manual.

The allowable amount of the cost increase shall be determined in accordance with the methodology prescribed in Sections 110 and 111 of the Nursing Facility Reimbursement Manual.

405. OCCUPANCY LIMITATION EXCEPTIONS

If a facility is mandated by a court to reduce the number of beds, the occupancy limitations shall not be applied while alternative placement of residents is being attempted in order to comply with the court ruling. During the transition period, as defined by the court, the facility shall be allowed a rate adjustment, not more often than monthly, which utilizes the actual facility occupancy.

406. DEFINITION OF ROUTINE AND ANCILLARY SERVICES

The definitions of routine and ancillary services as stated in the Nursing Facility Reimbursement Manual are applicable to the ICF/MR facilities. However, psychological and psychiatric therapy shall also be considered as ancillary services for ICF/MR facilities.

407. LEASE/RENT ARRANGEMENTS

All lease/rent arrangements occurring after 2/23/77 shall be limited to the owner's historical cost of ownership. For lease/rent arrangements occurring prior to 2/23/77, the Program shall determine the allowable costs of such arrangements based on the general reasonableness of such costs.

Page 407.01

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